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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

WAL-MART STORES, INC.)
) OPPOSITION NO. 91/150,278
Opposer.) OPPOSITION NO. 91/154,632
)
v.)
) Trademark:
FRANKLIN LOUFRANI) SMILEY & Design Serial No. 75/302,439
) SMILEY & Design Serial No. 75/977,376
Applicant.)
)
FRANKLIN LOUFRANI)
) OPPOSITION NO. 91/152,145
Opposer.)
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v.) Trademark: \Box 20 R
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WAL-MART STORE INC.'S REPLY TO LOUFRANI'S RESPONSE TO WAL-MARTS CROSS-MOTION TO AMEND THE PLEADINGS TO CONFORM TO THE EVIDENCE

Dated: October 16, 2006

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I. INTRODUCTION AND SUMMARY

Opposer Wal-Mart Stores, Inc. ("Wal-Mart") in the above-captioned consolidated opposition proceeding, by its attorneys, submits this reply in response to Loufrani's response filed on September 25, 2006 to Wal-Mart's Cross-Motion to Amend the Pleadings to Conform to the Evidence, which Cross-Motion was filed as part of Wal-Mart's Response to Loufrani's Motion for Leave to Introduce Evidence outside the testimony period, or, alternatively to re-open the testimony period for the limited purpose of introducing testimony in support of *bona fide* intent.¹

II. ARGUMENT

A. Loufrani Has Submitted New Alleged Evidence And Testimony On The Critical Matter Of *Bona Fide* Intent; Wal-Mart Should Be Allowed To Test And Challenge This New Evidence And Testimony Through Discovery

Despite his protestations that he should be allowed to unilaterally "load the record" of this proceeding on the issue of *bona fide* intent, Loufrani has clearly "opened the door" to scrutiny of the new alleged evidence and testimony that he has submitted and placed in the public record of this proceeding. While initially maintaining that the issue of *bona fide* intent-to-use was not within the scope of this proceeding, Loufrani now also argues that "the Board may find that Loufrani had the requisite *bona fide* intent based solely on the [untested] evidence

¹ On August 14, 2006 Loufrani filed a Motion for Leave to Introduce Evidence outside the testimony period, or, alternatively to re-open the testimony period for the limited purpose of introducing testimony in support of *bona fide* intent. On September 5, 2006 Wal-Mart filed a Response to Loufrani's Motion which included a Cross-Motion to Amend the Pleadings to Conform to the Evidence. Wal-Mart's approach is to seek re-opening of the record – as in a motion to reopen the record – for the purpose of securing and introducing evidence regarding Loufrani's new submission, especially if the Board chooses to consider Loufrani's new submission of alleged evidence and testimony.

submitted" by Loufrani. *See* Loufrani Reply, Section II., page 8 (parenthetical added.).²
Loufrani has offered to provide "limited discovery" in the form of written responses to interrogatories, but this limited mechanism would only further provide Loufrani with an opportunity to provide additional self-serving, incomplete and subjective statements that would not be subject to the full scope of discovery afforded by the rules. *See* Loufrani Reply, p. 9.

Instead, as is indicated in this reply to Loufrani's argument and proposal, Wal-Mart is seeking full and fair discovery on the evidence and testimony offered by Loufrani. The issue of *bona fide* intent has become a core consideration in this matter in the submissions of both parties — and it is, therefore, proper to consider it upon a fully-developed record. This is the determination that Wal-Mart is seeking.

On the other hand, Loufrani's suggested approach would allow him to place core unchallenged allegations and evidence into the record. However, such an approach entails undue prejudice to Wal-Mart and constitutes a misuse of this proceeding. As discussed below, the alleged evidence and testimony sought to be introduced by Loufrani is incomplete, misleading and, at worst, indicates the abuse that Loufrani attempts to sustain through inappropriate manipulation of this proceeding and the U.S. trademark system. Also, by Loufrani's own action in submitting such new alleged evidence and testimony he has raised a range of new issues and factual allegations that he cannot properly argue should be immune from proper discovery, scrutiny and challenge. Therefore, Wal-Mart has sought a relatively brief period of discovery

² Specifically, in Loufrani's Reply dated September 25, 2006 (which should be treated as a response to Wal-Mart's Cross-Motion of September 5, 2006), Loufrani argues that "Wal-Mart's implicit request to amend the pleadings should be denied, <u>and</u> Loufrani should be permitted to introduce the evidence attached to Loufrani's Motion for Leave to Introduce Evidence in support of his *bona fide* intent." Loufrani's Reply p.2 (emphasis added).

and testimony to address the new matter that Loufrani has placed in the record of this proceeding

– and he cannot demonstrate any prejudice from Wal-Mart's proposed course of action.

B. Loufrani's Proffered Evidence And Testimony Is Insufficient To Establish *Bona Fide* Intent; The Testimony And Evidence Actually Show The Abuse And Fraud On The Part Of Loufrani At The Time He Filed His Original Applications

As is evident from the abuse inherent in the original Smiley Application Serial No. 75/302,439 (and now divided into Serial No. 75/977,376) asserting rights in over one thousand goods and services – a tactic worthy of the imprimatur of the infamous Mr. Leo Stoller³ – Loufrani seeks to further "game the system" in a way that exceeds even the abuse recently found by the Board with regard to the actions of Mr. Stoller. In essence, Loufrani seeks to distort the U.S. trademark system into a vehicle whereby an applicant can "tie up" and create inappropriate obstacles to the legitimate use of a popular term ("smiley") or icon (the smiley image)⁴ by simply filing a spectacularly broad intent-to-use application, followed by a relatively *de minimus* and unfocused invitation to the public to now consider the applicant as the "toll gate" for use of the term or icon for almost everything under the sun - from fly paper to marriage bureaus. *See* Exhibit No. 1 to Loufrani Declaration.

Notably, Loufrani's Exhibit No. 1 is a general, non-product specific web site simply offering opportunities to consider Mr. Loufrani the payee for use of the smiley "names, characters and related indicia" (quoted from Loufrani Ex. No. 1; emphasis added). While disclaiming rights to the smiley image in his submissions to the U.S. Trademark Office, Loufrani nonetheless characterizes himself in Loufrani Exhibit No. 1 as the general holder of rights in the

³ The U.S. Trademark Office has recently, and properly, reacted to a similar scheme by Mr. Leo Stoller to establish a cottage industry not of trademark use, but of trademark abuse. *See* July 14, 2006 Sanctions Order issued by Chief Administrative Trademark Judge J. David Sams of the U.S. Patent and Trademark Office.

⁴ As fully demonstrated in Wal-Mart's submissions in support of its own application, Wal-Mart has built up a strong recognition for the image as a mark for Wal-Mart's retail services. Loufrani seeks to simply pre-empt an extraordinary range of uses by filing defective and inappropriate intent-to-use applications.

smiley "characters" and "related indicia" that are the same as or similar to the image that he disclaimed. This situation is further exacerbated by a new version of the web site that Loufrani chose not to submit to the Board. See Wal-Mart Ex. A, attached. In Wal-Mart Exhibit A - the Loufrani site not shown to the Board by Loufrani - it appears very clearly that the site seeks to mislead the public into believing that Mr. Loufrani created the icon and that the public must look to him for rights. In essence, Mr. Loufrani does not have a bona fide intent to use; he has an intent to mislead.

Loufrani's web site is also replete with representations and offerings of numerous images and derivative works based on third-party images, such as "Ninja Turtles," "Fred Flintstone," "Tigger" and "Mike Tyson," just to name a few. *See* Wal-Mart Ex. B. There appears to be no indication that licenses to these third-party images have been secured (Wal-Mart's counsel is in the process of exploring this issue) but it is in keeping with the already-developed "Loufrani pattern" that third-party rights would be disregarded on his web site, while overreaching and inappropriate claims are propounded on the site. Loufrani's activities also raise a question as to whether his infringing activities qualify as *bona fide* use.

Loufrani seeks to distort the record in the evident hope of securing a favorable ruling on bona fide intent, while arguing that Wal-Mart should not be allowed the modest amount of time sought by Wal-Mart to engage in full discovery and obtain testimony on these critical matters — an opportunity that should be granted in light of the critical public interest inherent in recognizing and rejecting the abusive effects of Loufrani's attempts to misuse the U.S. trademark

⁵ As if a laudable accomplishment, Loufrani points to the fact that he was able to slip into Wal-Mart's web site listing of books available from Wal-Mart a self-serving description of his claims to rights in "smiley." See Loufrani Reply, Decl. of Loufrani at par. 19. However, the fact that Loufrani has abused the Wal-Mart system and thereby created (albeit temporarily) a misleading description of his claims, disguised as a "neutral description" of the book's contents, is another example of his abusive tactics. Of course, Loufrani's inappropriate and misleading description, as well as the book itself, has been removed from the Wal-Mart's list of books offered via Wal-Mart's web site.

system and introduce one-sided, incomplete and misleading submissions.⁶

Loufrani's new arguments are based, in part, on the allegations that Loufrani has engaged in licensing activities abroad and has registered the Smiley Application abroad. Loufrani, however, does not inform the Board that a number of Loufrani's claims to non-U.S. Smiley Applications have failed, especially when tested by a party with sufficient resources to police against Loufrani's improper non-U.S. activities. Similarly, Loufrani argues that he has allegedly demonstrated *bona fide* intent-to-use the Smiley Applications with regard to a limited number of goods and services, yet he does not address how even this assertion can save the nearly one thousand categories of goods and services that are not the subject of his attempts to establish a *bona fide* intent-to-use with regard to his Smiley Applications. The Board has been properly sensitive and responsive to such attempts and has rejected applications where fraudulent statements have been made with regard to categories of goods or services in the context of a larger range of claimed goods and services. *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki*

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⁶ Now that Loufrani has made his numerous new statements via declarations, alleged evidence and legal arguments on the public record, he should not be permitted to disingenuously "demure" from discovery and the proper process to test and challenge his submissions. The adage that "you cannot unring a bell" applies with specific force here: Loufrani has himself placed a wave of new testimony (via untested declarations), new alleged evidence and new arguments in the public record. Wal-Mart seeks a fair opportunity to address this tactic and new (*albeit* one-sided) willingness of Loufrani to provide material for inclusion in the record of this proceeding.

⁷ In a misguided attempt to show that Wal-Mart has engaged in activities similar to Loufrani, Loufrani cites (very selectively) a number of unrelated, abandoned Wal-Mart trademark applications. See Declaration of Ms. Betsy Rosser. Loufrani misses the point here – Wal-Mart has acted responsibly to remove impediments to the use of terms in which Wal-Mart no longer has an interest. Loufrani, on the other hand (and in a manner similar to the "Stoller approach") appears to wait until a party with sufficient resources brings to light the impropriety of Loufrani's application. Even then, Loufrani will still cling to such diverse alleged "propriety rights" with respect to a plethora of categories – from bull semen to counseling services – hoping that the Trademark Office will sanction his attempt to set up a "warehouse" of claimed rights which can be pulled off the shelf and dusted off for assertion against businesses and other entities that actually adopt the marks for use in the pertinent category.

⁸ Ironically, in support of his position, Loufrani introduces a limited declaration of use which specifically indicates Loufrani's knowledge that "willful false" statements to the U.S. Trademark Office can lead to, e.g., fines, and jeopardize the validity of the submission. Nowhere is this more telling than when Loufrani seeks to selectively establish bona fide intent-to-use with regard to a very limited number of goods and/or services listed in his omnibus, virtually across-the-board list of goods and services in his original intent-to-use Smiley Applications. After so much time has passed since his filing date, Loufrani should at least abandon his assertions of rights with regard to the hundreds of types of goods and services that he has not even bothered to specifically address in his Reply.

Kaisha, 77 U.S.P.Q.2d 1917 (T.T.A.B. 2006); Medinol Ltd. v. Neuro Vasx, Inc., 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003); Torres v. Cantine Torresella S.r.L., 1 U.S.P.Q.2d 1483 (Fed. Cir. 1986); Salacuse v. Ginger Spirits, Inc., 44 U.S.P.Q.2d 1415, 1419-20 (T.T.A.B. 1997).

In addition, Loufrani's belated activities, if any, with respect to a very small subset of the goods and services listed in his original application would not support his allegation that he had the requisite intent to use <u>at the time</u> he filed his intent-to-use applications to use the mark with all of the goods and services listed in his applications. *See* 37 C.F.R. § 2.34(a)(2); *Lane Ltd. v. Jackson Int'l Trading Co.*, 33 U.S.P.Q.2d 1351, 1356 (TTAB 1994). It shows the opposite. Loufrani's profound silence on the myriad of goods and services <u>not</u> addressed in his recent submission show that he did not, and does not now, have the intent to actually use the claimed mark with respect to them.

In short, Loufrani has attempted to "shovel" into the record of this proceeding numerous, incomplete and misleading pieces of evidence and self-serving statements. These new submissions raise new issues as to Loufrani's *bona fide* intent-to-use in the Smiley Applications and the propriety of his new statements to the Board. For the benefit of this proceeding, and the U.S. trademark registration process in general, Wal-Mart's request is relatively modest and uncomplicated: Wal-Mart seeks a very limited period of full discovery and testimony to address and test the allegations, alleged "evidence" and belated testimony placed before the Board and made a part of the public record by Loufrani. Loufrani has not established that any prejudice to him would result from the granting of Wal-Mart's request, nor should he be permitted to unilaterally "load up the public record" with impunity.

Here, Loufrani is attempting to introduce evidence that goes, according to Loufrani's most recent attempt to have the Board rule on the issue, to a core issue in this proceeding — whether or not Loufrani had a bona fide intent-to-use the Smiley Applications when filed. While this proceeding is now in the trial briefing stage, Wal-Mart does not object to the reopening of the discovery and testimony periods on this specific issue, as long as Wal-Mart is afforded the opportunity to perform its own full discovery on this issue and cross-examine Loufrani's evidence and allegations. Moreover, in addition to raising probative issues about the bona fide intent-to-use of Loufrani's original trademark applications, the submission of Loufrani's new arguments and alleged evidence further raises issues regarding the propriety of these new submissions by Loufrani. It would be in the interest of justice to allow the parties to complete full discovery on this issue, an issue both parties are arguing should be included in this proceeding — albeit through different avenues and with the qualification on the part of Wal-Mart that such evidence, if not wholly excluded, should be submitted to a proper challenge through discovery.

III. CONCLUSION

For the foregoing reasons, Wal-Mart respectfully requests that the Board grant Wal-Mart the opportunity to take full discovery and testimony on the new evidence and testimony unilaterally introduced by Loufrani. On the other hand, if the Board decides to deny Wal-Mart's Cross-Motion to Amend the Pleadings to Conform to the Evidence, or determines not to grant Wal-Mart a full opportunity to engage in the requested discovery, then the Board should also

deny Applicant's Motion to Introduce Evidence Outside of the Testimony Period.

Respectfully submitted, Wal-Mart Stores, Inc.

Date: October 16, 2006

By:

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CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of October 2006, a true copy of the foregoing Wal-Mart Store Inc.'s Reply to Loufrani's Response to Wal-Mart's Cross-Motion to Amend the Pleadings to Conform to the Evidence has been served on Steven L. Baron, counsel for Franklin Loufrani, via first-class mail, postage prepaid:

Steven L. Baron Mandell Menkes & Surdyk, LLC 333 W. Wacker Drive, Suite 300 Chicago, Illinois 60606

Denise Countiss-Lowe



















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SMILEY® DICTIONARY> Story

THE BIRTH OF A UNIVERSAL LANGUAGE

The key to communication is language. There are approximately 3000 languages on planet Earth. Back in the early 70's Franklin Loufrani a journalist created a simple



concept for France soir and other European newspapers, he displayed icons to communicate news and especially good ones. He gave this original icon the name of SMILEY®, it was published for the first time on Jan 1st 1972. Under Loufrani's

supervision, SMILEY® quickly spread across the world, easily crossing political, social and economic boundaries with his ever-increasing vocabulary of instantly recognizable emotions. In a very short time, SMILEY® became the most recognizable icon in the world and remains so to this day.



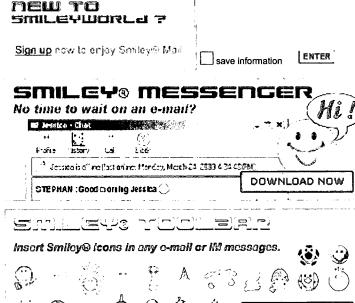




Original SMILEY® news clip from 1972

Not long afterwards, communication took a giant leap forward as personal computers began making their way into people's homes and offices. Electronic mail evolved as the next step in international correspondence. Not surprisingly, SMILEY® was there from the beginning. It is said that the very first e-mail ended with the sideways image of SMILEY® like so :) This symbol came to be known as an "emoticon." Soon, many emoticon variations were introduced, creating a vast lexicon of universal understanding, click here to search emoticons. It became apparent that although language barriers would be a natural aspect of e-mail, the international use of emoticons would allow people to express feelings quickly, easily and without the written word.

There was no doubt that emoticons greatly enhanced e-mail and chat room dialogue. However, there were drawbacks. Whenever an emoticon appeared, you had to stop reading and turn your head sideways to "get it." Moreover, despite the rapidly expanding computer technology, emoticons were limited to the alphabet and punctuation symbols contained on the standard keyboard.



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That is why Franklin Loufrani has now taken the next bold, step in promoting his universal language. An exciting and



expanded alphabet of upright, color SMILEY® fonts has been created and can be easily downloaded. Now you can enhance your email and chat room conversations with these clear, clever expressions of emotion as easily as you type your name.

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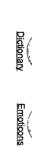
























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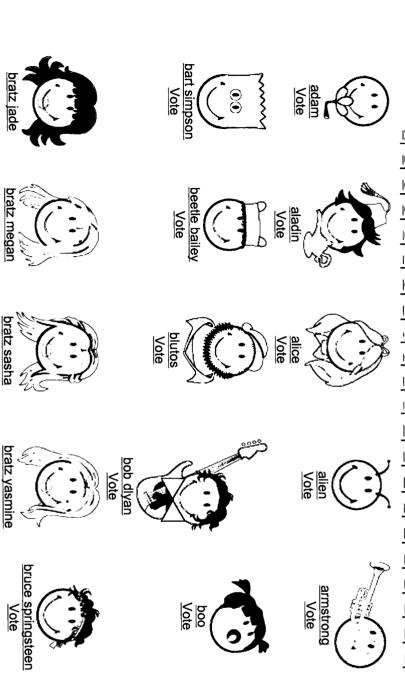
SMILEY DICTIONARY> SMILEY® A-Z

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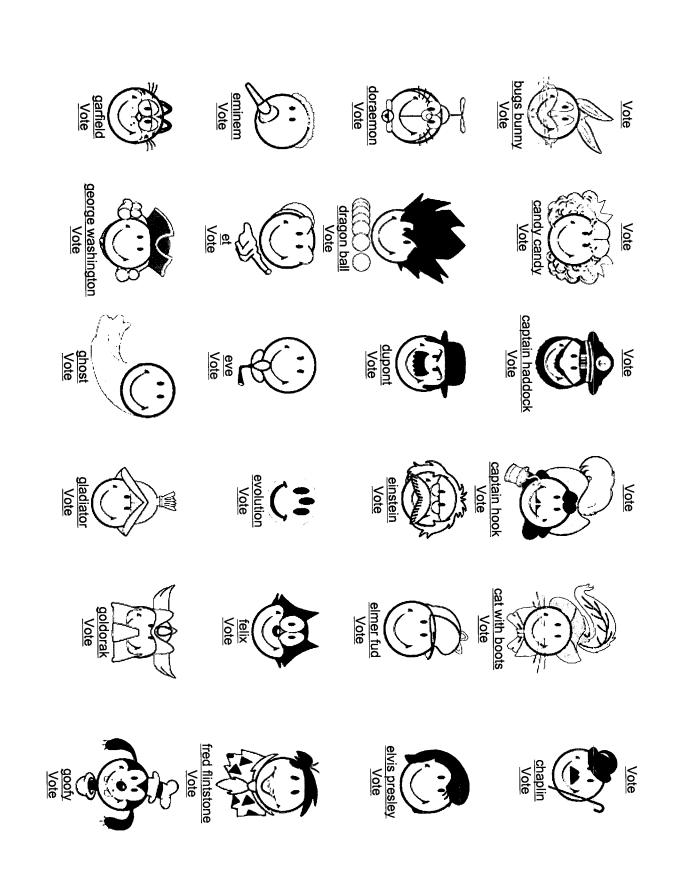
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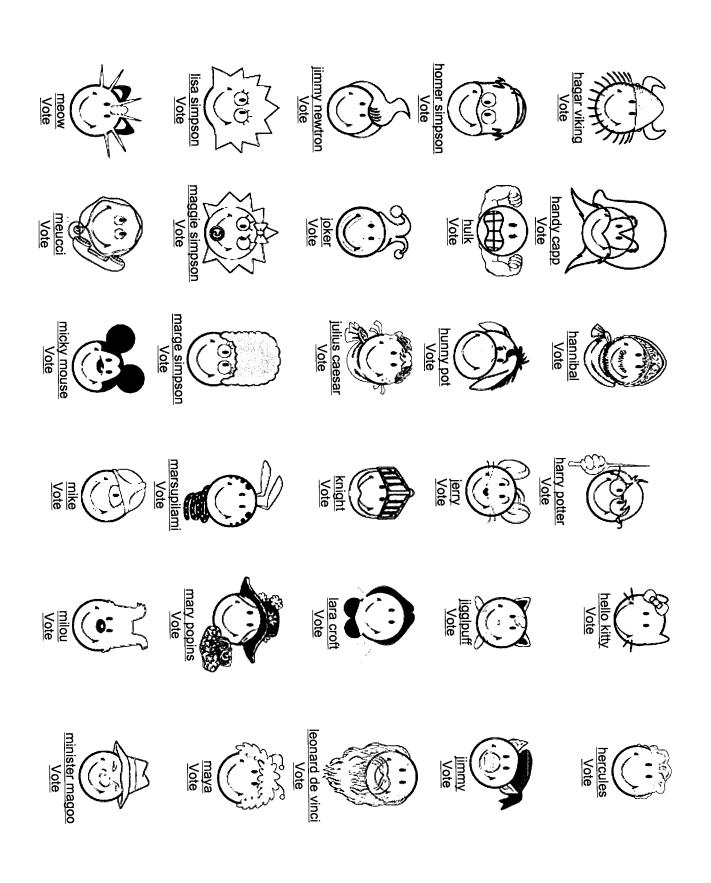
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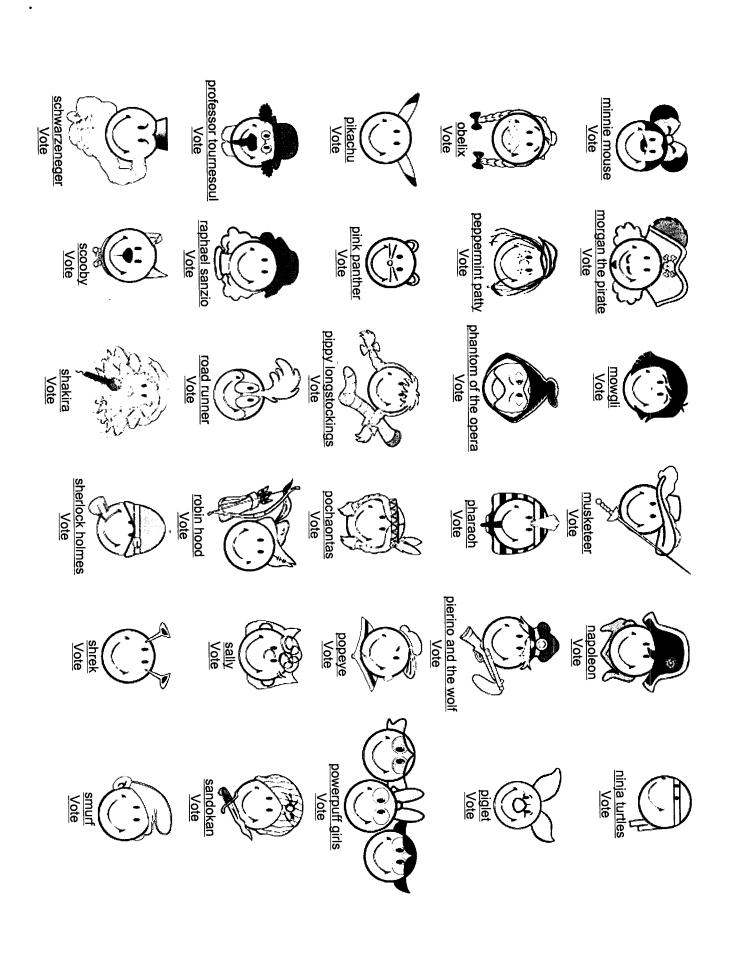
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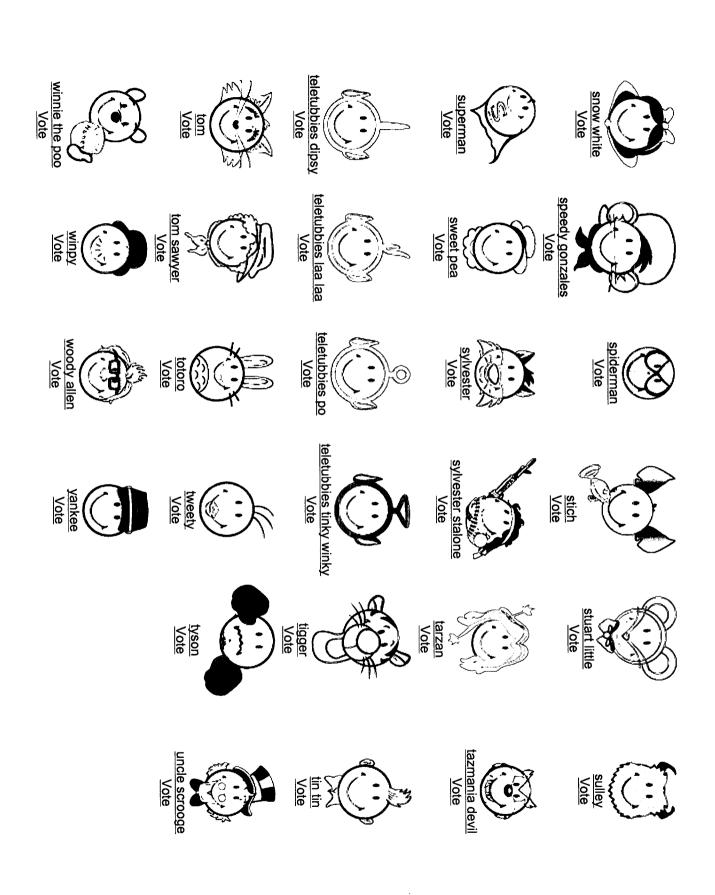


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